

CITY OF CLARION, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2014

- Prepared By -

Larry Pump, CPA  
117 North Jackson Street  
Charles City, IA 50616-2036  
Phone (641)257-4222

# CITY OF CLARION, IOWA

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**CITY OF CLARION, IOWA**

**OFFICIALS**

<b><u>NAME</u></b>	<b><u>TITLE</u></b>	<b><u>TERM EXPIRES</u></b>
<b>(Before January 2014)</b>		
Mike Nail	Mayor	January 2014
Kirk Rier	Mayor Pro tem	January 2014
Cory Abels	Council Member (Resigned)	October 7, 2013
Duane Asbe	Council Member	January 2014
Steve Evans	Council Member	January 2016
Lindsey German	Council Member	January 2016
Rochelle Pohlman	City Administrator/Clerk	January 2014
Susan Hammen	Treasurer	Indefinite
Rich Bordwell	Attorney	January 2014

<b>(After January 2014)</b>		
Mike Nail	Mayor	January 2018
Duane Asbe	Mayor Pro tem	January 2018
Steve Evans	Council Member	January 2016
Lindsey German	Council Member	January 2016
Barbara Mussman	Council Member	January 2018
Dave Maxheimer	Council Member	January 2018
Rochelle Pohlman	City Administrator/Clerk	January 2015
Susan Hammen	Treasurer	Infinite
Rich Bordwell	Attorney	January 2015



**Larry Pump, CPA**  
117 North Jackson Street  
Charles City, IA 50616

E-mail: rlp@fi.ai.net

(641) 257-4222

or (641) 228-2812

Fax (641) 228-1513

### INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council:

#### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarion, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, the financial statements referred to above do not include the financial transactions of the Iowa Specialty Hospital - Clarion, a component unit of the City of Clarion, pertaining to the Enterprise Funds, which should be included in order to conform with U.S. generally accepted accounting principles. The financial transactions that should have been recorded are on a different basis of accounting.

### Qualified Opinions

In my opinion, except for the effects on the financial statements due to the exclusion of the financial transactions of the Iowa Specialty Hospital - Clarion from the reporting entity, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarion as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clarion's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed qualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 9 and 27 through 29, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated September 19, 2014 on my consideration of the City of Clarion's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The City of Clarion's internal control over financial reporting and compliance.



Charles City, Iowa  
September 19, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Clarion provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities increased 17.5%, or approximately \$882,000 from fiscal year 2013 to fiscal year 2014. Capital grants, contributions and restricted interest and bond and note proceeds increased approximately \$340,000 and \$640,000, respectively, while charges for service and other general receipts decreased approximately \$110,000 and \$35,000, respectively.

Disbursements of the City's governmental activities decreased 4.8%, or approximately \$204,000, in fiscal year 2014 from fiscal year 2013. Community and economic development and capital projects disbursements increased approximately \$498,000 and \$455,000, respectively, while debt service disbursements decreased approximately \$1,095,000.

The City's total cash basis net position increased 91.5%, or approximately \$2,170,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased approximately \$1,893,000 and the cash basis net position of the business type activities increased by approximately \$277,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds, including water, sewer and landfill accounts.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$1,436,000 to approximately \$3,329,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

### Changes in Cash Basis Net Position of Governmental Activities

(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 396	\$ 506
Operating grants, contributions and restricted interest	332	327
Capital grants, contributions and restricted interest	368	28
General receipts:		
Property tax	1,847	1,799
Local option sales tax	248	251
Unrestricted interest on investments	5	8
Bond and note proceeds, net	2,648	2,008
Other general receipts	88	123
Total receipts	<u>\$5,932</u>	<u>\$ 5,050</u>
Disbursements:		
Public safety	\$ 801	\$ 889
Public works	472	457
Health and social services	6	6
Culture and recreation	331	314
Community and economic development	662	164
General government	202	208
Debt service	763	1,858
Capital projects	802	347
Total disbursements	<u>\$4,039</u>	<u>\$ 4,243</u>
Change in cash basis net position	\$1,893	\$ 807
Cash basis net position beginning of year	<u>1,436</u>	<u>629</u>
Cash basis net position end of year	<u>\$3,329</u>	<u>\$ 1,436</u>

The City's total receipts for governmental activities increased 17.5%, or approximately \$882,000. The total cost of all programs and services decreased approximately \$204,000, or 4.8%. The increase in receipts was primarily the result of proceeds received from the issuance of general obligation bonds and notes and capital grants for the airport project. The decrease in disbursements was due primarily to the refunding of the debt payments.

The cost of all governmental activities this year was approximately \$4,039,000 compared to approximately \$4,243,000 last year. However, as shown in the Statement of Activities and Net Position on pages 10-13, the amount taxpayers ultimately financed for these activities was approximately \$2,943,000 because some of the cost was paid by those directly benefited from the programs (approximately \$396,000) or by other governments and organizations which subsidized certain programs with grants, contributions, and restricted interest (approximately \$700,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$861,000 to approximately \$1,096,000.



**Changes in Cash Basis Net Position of Business Type Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 646	\$ 623
Sewer	541	525
Other	158	155
General receipts:		
Bond and note proceeds, net	53	492
Other general receipts	11	14
Total receipts	<u>\$ 1,409</u>	<u>\$ 1,809</u>
Disbursements:		
Water	\$ 442	\$ 397
Water debt service	138	669
Sewer	391	321
Other	161	114
Total disbursements	<u>\$ 1,132</u>	<u>\$ 1,501</u>
Change in cash basis net position	\$ 277	\$ 308
Cash basis net position beginning of year	<u>936</u>	<u>628</u>
Cash basis net position end of year	<u>\$ 1,213</u>	<u>\$ 936</u>

Total business type activities receipts for the fiscal year were approximately \$1,409,000 compared to approximately \$1,809,000 last year. This decrease was due primarily to a decrease in bond and note proceeds. The cash balance increased by approximately \$277,000 from the prior year. Total disbursements for the fiscal year decreased by 24.6% to a total of approximately \$1,132,000 due mainly to debt service payments.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Clarion completed the year, its governmental funds reported a combined fund balance of \$3,329,357, an increase of more than \$1,893,000 above last year's total of \$1,435,693. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$122,579 from the prior year to \$39,168. Both receipts and disbursements decreased from the prior year.

The Special Revenue, Local Option Sales Tax Fund cash balance increased \$125,860 to \$453,918 during the fiscal year. This increase was attributable to fewer disbursements during the year.

The Special Revenue, Tax Increment Financing Fund cash balance was \$2,329,100, an increase of \$2,377,391 from the previous year. The increase was the result of bond proceeds received during the year.

The Debt Service Fund cash balance increased \$291,665 to \$116,282, due to bond proceeds and transfers in during the year.

The Capital Projects, Airport Fund cash balance decreased \$28,088 to \$(129,151) during the fiscal year. This decrease was the result of project expenses in excess of capital grant receipts.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$225,833 to \$420,500, due primarily to an increase in charges for service and no capital projects during the year.

The Enterprise, Sewer Fund cash balance increased \$153,005 to \$377,662, due primarily to an increase in charges for service from the prior year.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 19, 2014 and resulted in an increase in operating disbursements in numerous City departments. The City had sufficient cash balances to absorb these additional costs.

The City exceeded the amounts budgeted in the health and social services and debt service functions for the year ended June 30, 2014.

## DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$6,561,000 of bonds and notes and other long-term debt outstanding, compared to approximately \$4,602,000 last year, as shown below.

### Outstanding Debt at Year-End (Expressed in Thousands)

	June 30,	
	2014	2013
General obligation bonds and notes	\$ 5,088	\$ 2,895
Special assessment notes	15	30
Revenue bonds and notes	1,355	1,602
REDLA loan	50	75
Anticipatory notes	53	-
Total	<u>\$ 6,561</u>	<u>\$ 4,602</u>

Debt increased as a result of issuing general obligation annual appropriation bonds for a housing project and anticipatory notes for sewer construction.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,088,272 is below its constitutional debt limit of \$5,853,433.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Clarion's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

Clarion continues to partner as team members with the Partnership for Growth Organization, Iowa Specialty Hospital - Clarion and other local businesses for the betterment of providing economic development opportunities.

At this time, there is growth on both ends of Highway 3 with Hagie Manufacturing expansion on the West end, a planned right turn lane is scheduled for completion at the end of 2014. Clarion continues to partner with i2i Clarion, Inc. on a new housing development on the East end.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rochelle E. Pohlman, City Administrator, 121 1<sup>st</sup> SW, Clarion, Iowa 50525.

## Basic Financial Statements

CITY OF CLARION, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS :	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 801,101	\$ 35,917	\$ -	\$ -
Public works	471,554	148,644	284,583	367,802
Health and social services	5,500	-	-	-
Culture and recreation	331,491	78,730	33,510	-
Community and economic development	661,636	-	13,901	-
General government	201,945	114,534	-	-
Debt service	763,495	18,747	-	-
Capital projects	<u>802,375</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$4,039,097</u>	<u>\$ 396,572</u>	<u>\$ 331,994</u>	<u>\$ 367,802</u>
Business type activities:				
Water	\$ 442,381	\$ 645,602	\$ -	\$ -
Sewer	391,345	541,307	-	-
Other	<u>298,646</u>	<u>158,193</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$1,132,372</u>	<u>\$1,345,102</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$5,171,469</u>	<u>\$1,741,674</u>	<u>\$ 331,994</u>	<u>\$ 367,802</u>

(Continued)

**Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position**

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<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total</u></b>
\$ (765,184)	\$ -	\$ (765,184)
329,475	-	329,475
(5,500)	-	(5,500)
(219,251)	-	(219,251)
(647,735)	-	(647,735)
(87,411)	-	(87,411)
(744,748)	-	(744,748)
<u>(802,375)</u>	<u>-</u>	<u>(802,375)</u>
 \$ (2,942,729)	 \$ -	 \$ (2,942,729)
 \$ -	 \$ 203,221	 \$ 203,221
-	149,962	149,962
<u>-</u>	<u>(140,453)</u>	<u>(140,453)</u>
 \$ -	 \$ 212,730	 \$ 212,730
<u>\$ (2,942,729)</u>	<u>\$ 212,730</u>	<u>\$ (2,729,999)</u>

CITY OF CLARION, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

**General Receipts:**

Property and other city tax levied for:  
    General purposes  
    Debt service  
Tax increment financing  
Local option sales tax  
Unrestricted interest on investments  
Bond and note proceeds, net  
Miscellaneous

Total general receipts

Change in cash basis net position

Cash basis net position beginning of year

**Cash basis net position end of year**

**Cash Basis Net Position**

Restricted:

Nonexpendable:

    Cemetery perpetual care

Expendable:

    Streets

    Urban renewal purposes

    Debt service

    Other purposes

Unrestricted

**Total cash basis net position**

*See Notes to Financial Statements.*

**Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position**

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ 936,204	\$ -	\$ 936,204
345,760	-	345,760
565,570	-	565,570
247,794	-	247,794
5,173	-	5,173
2,648,264	53,109	2,701,373
87,628	11,158	98,786
<u>\$ 4,836,393</u>	<u>\$ 64,267</u>	<u>\$4,900,660</u>
\$ 1,893,664	\$ 276,997	\$2,170,661
<u>1,435,693</u>	<u>936,341</u>	<u>2,372,034</u>
<b><u>\$ 3,329,357</u></b>	<b><u>\$1,213,338</u></b>	<b><u>\$4,542,695</u></b>
\$ 67,548	\$ -	\$ 67,548
92,968	-	92,968
2,329,100	-	2,329,100
116,282	51,211	167,493
587,468	-	587,468
135,991	1,162,127	1,298,118
<u>\$ 3,329,357</u>	<u>\$1,213,338</u>	<u>\$4,542,695</u>



**CITY OF CLARION, IOWA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**GOVERNMENTAL FUNDS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

		<u>Special Revenue</u>	
		<u>Local</u>	<u>Tax</u>
		<u>Option</u>	<u>Increment</u>
	<u>General</u>	<u>Sales Tax</u>	<u>Financing</u>
<b>RECEIPTS:</b>			
Property tax	\$ 612,590	\$ -	\$ -
Tax increment financing	-	-	565,570
Other city tax	-	247,794	-
Licenses and permits	4,972	-	-
Use of money and property	98,006	-	-
Intergovernmental	33,510	-	13,901
Charges for service	219,900	-	-
Special assessments	-	-	-
Miscellaneous	82,782	-	-
Total receipts	<u>\$1,051,760</u>	<u>\$ 247,794</u>	<u>\$ 579,471</u>
<b>DISBURSEMENTS:</b>			
Operating:			
Public safety	\$ 564,158	\$ 49,451	\$ -
Public works	141,376	48,750	-
Health and social services	-	-	-
Culture and recreation	278,170	-	-
Community and economic development	-	-	581,332
General government	190,635	2,463	-
Debt service	-	21,270	299,536
Capital projects	-	-	-
Total disbursements	<u>\$1,174,339</u>	<u>\$ 121,934</u>	<u>\$ 880,868</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (122,579)</u>	<u>\$ 125,860</u>	<u>\$ (301,397)</u>
Other financing sources (uses):			
Bond proceeds	\$ -	\$ -	\$2,470,000
Bond issue costs	-	-	(21,736)
Operating transfers in	-	-	230,524
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,678,788</u>
Change in cash balances	<u>\$ (122,579)</u>	<u>\$ 125,860</u>	<u>\$2,377,391</u>
Cash balances beginning of year	<u>161,747</u>	<u>328,058</u>	<u>(48,291)</u>
<b>Cash balances end of year</b>	<b><u>\$ 39,168</u></b>	<b><u>\$ 453,918</u></b>	<b><u>\$2,329,100</u></b>
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for:			
Streets	-	-	-
Urban renewal purposes	-	-	2,329,100
Debt service	-	-	-
Other purposes	-	453,918	-
Assigned for:			
Community Center	-	-	-
Storm Sewer Projects	-	-	-
Police/Ambulance Building	-	-	-
Fire Station	-	-	-
Library	-	-	-
Aquatic	-	-	-
Other	83,696	-	-
Unassigned	<u>(44,528)</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<b><u>\$ 39,168</u></b>	<b><u>\$ 453,918</u></b>	<b><u>\$2,329,100</u></b>

*See Notes to Financial Statements.*

	<u>Capital Projects</u>		
<u>Debt Service</u>	<u>Airport</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 345,760	\$ -	\$ 306,263	\$ 1,264,613
-	-	-	565,570
-	-	17,351	265,145
-	-	-	4,972
-	40,000	-	138,006
-	367,802	284,583	699,796
-	-	-	219,900
18,747	-	-	18,747
-	-	24,966	107,748
<u>\$ 364,507</u>	<u>\$ 407,802</u>	<u>\$ 633,163</u>	<u>\$ 3,284,497</u>
\$ -	\$ -	\$ 187,492	\$ 801,101
-	-	281,428	471,554
-	-	5,500	5,500
-	-	53,321	331,491
-	-	80,304	661,636
-	-	8,847	201,945
442,689	-	-	763,495
5,533	435,890	360,952	802,375
<u>\$ 448,222</u>	<u>\$ 435,890</u>	<u>\$ 977,844</u>	<u>\$ 4,039,097</u>
<u>\$ (83,715)</u>	<u>\$ (28,088)</u>	<u>\$ (344,681)</u>	<u>\$ (754,600)</u>
\$ 200,000	\$ -	\$ -	\$ 2,670,000
-	-	-	(21,736)
175,380	-	85,473	491,377
-	-	(491,377)	(491,377)
<u>\$ 375,380</u>	<u>\$ -</u>	<u>\$ (405,904)</u>	<u>\$ 2,648,264</u>
\$ 291,665	\$ (28,088)	\$ (750,585)	\$ 1,893,664
(175,383)	(101,063)	1,270,625	1,435,693
<u><b>\$ 116,282</b></u>	<u><b>\$ (129,151)</b></u>	<u><b>\$ 520,040</b></u>	<u><b>\$ 3,329,357</b></u>
\$ -	\$ -	\$ 67,548	\$ 67,548
-	-	92,968	92,968
-	-	-	2,329,100
116,282	-	-	116,282
-	-	133,550	587,468
-	-	75,070	75,070
-	-	30,463	30,463
-	-	35,031	35,031
-	-	75,000	75,000
-	-	33,112	33,112
-	-	17,846	17,846
-	-	86	83,782
-	(129,151)	(40,634)	(214,313)
<u><b>\$ 116,282</b></u>	<u><b>\$ (129,151)</b></u>	<u><b>\$ 520,040</b></u>	<u><b>\$ 3,329,357</b></u>

CITY OF CLARION, IOWA  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN CASH BALANCES  
 PROPRIETARY FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Enterprise</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 645,602	\$ 541,307	\$ 158,193	\$1,345,102
Miscellaneous	4,085	-	-	4,085
Total operating receipts	<u>\$ 649,687</u>	<u>\$ 541,307</u>	<u>\$ 158,193</u>	<u>\$1,349,187</u>
Operating disbursements:				
Business type activities	<u>442,381</u>	<u>391,345</u>	<u>86,306</u>	<u>920,032</u>
Excess of operating receipts over operating disbursements	<u>\$ 207,306</u>	<u>\$ 149,962</u>	<u>\$ 71,887</u>	<u>\$ 429,155</u>
Non-operating receipts (disbursements):				
Miscellaneous	\$ 3,527	\$ 3,043	\$ 503	\$ 7,073
Debt service	-	-	(137,851)	(137,851)
Capital projects	-	-	(74,489)	(74,489)
Net non-operating receipts (disbursements)	<u>\$ 3,527</u>	<u>\$ 3,043</u>	<u>\$ (211,837)</u>	<u>\$ (205,267)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 210,833</u>	<u>\$ 153,005</u>	<u>\$ (139,950)</u>	<u>\$ 223,888</u>
Other financing sources (uses):				
Anticipatory note proceeds	\$ -	\$ -	\$ 53,109	\$ 53,109
Operating transfers in	15,000	-	20,000	35,000
Operating transfers out	-	-	(35,000)	(35,000)
Total other financing sources (uses)	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 38,109</u>	<u>\$ 53,109</u>
Change in cash balances	\$ 225,833	\$ 153,005	\$ (101,841)	\$ 276,997
Cash balances beginning of year	<u>194,667</u>	<u>224,657</u>	<u>517,017</u>	<u>936,341</u>
<b>Cash balances end of year</b>	<b><u>\$ 420,500</u></b>	<b><u>\$ 377,662</u></b>	<b><u>\$ 415,176</u></b>	<b><u>\$1,213,338</u></b>
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ -	\$ -	\$ 51,211	\$ 51,211
Assigned for sewer improvement	-	-	153,580	153,580
Unrestricted	<u>420,500</u>	<u>377,662</u>	<u>210,385</u>	<u>1,008,547</u>
<b>Total cash basis fund balances</b>	<b><u>\$ 420,500</u></b>	<b><u>\$ 377,662</u></b>	<b><u>\$ 415,176</u></b>	<b><u>\$1,213,338</u></b>

*See Notes to Financial Statements.*

**CITY OF CLARION, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**(1) Summary of Significant Accounting Policies**

The City of Clarion is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and landfill services for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Clarion has included all funds, organizations, agencies, boards, commissions and authorities, except for the Iowa Specialty Hospital - Clarion. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Clarion (the Primary government) and exclude all component units. The component unit discussed below is not included in the City's reporting entity. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative office.

Component Unit - The Iowa Specialty Hospital - Clarion is not presented in these financial statements. It is legally separate from the City, but is financially accountable to the City. The Hospital is governed by a five-member board appointed by the City Council and the Hospital's operating budget is subject to the approval of the City Council.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Wright County Assessor's Conference Board and the Mid-Iowa Development Association Council of Governments.

**B. Basis of Presentation**

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

CITY OF CLARION, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies** - continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for local option sales tax revenues.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the repayment of interest and principal on the City's general long-term debt.

CITY OF CLARION, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

(1) Summary of Significant Accounting Policies - continued

Capital Projects:

The Airport Fund is utilized to account for the receipts and disbursements relating to airport improvements.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the health and social services and debt service functions.

**CITY OF CLARION, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligations, revenue and special assessment bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds		Special Assessment Notes		Other Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 492,931	\$ 181,301	\$ 250,000	\$ 25,124	\$ 15,000	\$ 364	\$ 25,000	\$ -
2016	275,429	172,364	254,000	21,880	-	-	25,000	-
2017	402,912	162,793	225,000	18,587	-	-	-	-
2018	394,000	150,724	127,000	15,650	-	-	-	-
2019	271,000	137,748	130,000	12,475	-	-	-	-
2020-2024	1,350,000	549,692	369,000	21,000	-	-	-	-
2025-2029	1,262,000	280,525	-	-	-	-	-	-
2030-2032	640,000	51,800	-	-	-	-	-	-
Total	<u>\$5,088,272</u>	<u>\$1,686,947</u>	<u>\$1,355,000</u>	<u>\$114,716</u>	<u>\$ 15,000</u>	<u>\$ 364</u>	<u>\$ 50,000</u>	<u>\$ -</u>

Year Ending June 30,	Total	
	Principal	Interest
2015	\$ 782,931	\$ 206,789
2016	554,429	194,244
2017	627,912	181,380
2018	521,000	166,374
2019	401,000	150,223
2020-2024	1,719,000	570,692
2025-2029	1,262,000	280,525
2030-2032	640,000	51,800
Total	<u>\$6,508,272</u>	<u>\$1,802,027</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, payments were paid from the Special Revenue, Local Option Sales Tax Fund during the year ended June 30, 2014.

The resolutions providing for the issuance of the general obligation bond and notes include the following provisions:

**CITY OF CLARION, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**(3) Bonds and Notes Payable - continued**

- (a) At the option of the City, notes due on the Capital Loan Note issue of July 1, 2009, are subject to redemption and prepayment in inverse numerical order beginning June 1, 2018, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- (b) At the option of the City, notes due on the Capital Loan Note issue of June 1, 2010, are subject to redemption and prepayment in any order of maturity beginning June 1, 2016, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- (c) At the option of the City, notes due on the Capital Loan Note issue of August 28, 2008, are subject to redemption and prepayment in any order of maturity beginning June 1, 2014, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- (d) At the option of the City, bonds due on the Storm Water Bonds issue of April 1, 2013, are subject to redemption and prepayment in inverse numerical order beginning April 1, 2019, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- (e) At the option of the City, bonds due on the G.O. Annual Appropriation Bond issue of June 26, 2014, are subject to redemption and prepayment in any order of maturity beginning June 1, 2022, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- (f) At the option of the City, bonds due on the G.O. Annual Appropriation Bonds issue of June 26, 2014, are subject to redemption and prepayment in inverse numerical order beginning June 1, 2022, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

**Urban Renewal Revenue Annual Appropriation Refunding Bonds**

The City issued \$1,213,000 of urban renewal revenue annual appropriation refunding bonds in March 2013 for the purpose of refunding the aquatic center and library urban renewal annual appropriation capital loan notes. The notes are payable solely from the net revenues of urban renewal project credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$1,093,903, payable through June 2023. For the current year, principal and interest paid were \$114,000 and \$22,076, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the net revenues of the urban renewal projects.



**CITY OF CLARION, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**(3) Bond and Notes Payable - continued**

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$500,000 in water revenue bonds issued in February 2013. Proceeds from the bonds provided financing for the refunding of water revenue notes issued in 1976 and 1999. The bonds are payable solely from water customer net receipts and are payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 13 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$375,813. For the current year, principal and interest paid and total customer net receipts were \$137,811 and \$207,306, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- a) The bonds will only be redeemed from the future earnings of the enterprise activity and bond/note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate water revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- c) Additional monthly transfers shall be made to water revenue bond reserve accounts until the required balances are accumulated. The water revenue bond reserve account is restricted for the purpose of paying for unusual or extraordinary maintenance, repairs, renewals and replacements to the system and when necessary for the purpose of making payments of principal and interest.

On January 31, 2014, the City was awarded a State Revolving Loan in the amount of \$250,000 to upgrade the wastewater treatment plant. As of June 30, 2014, \$53,109 was drawn down.

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$85,959, \$94,589 and \$88,542, respectively, equal to the required contributions for each year.

CITY OF CLARION, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

(5) **Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 18 active members and 2 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with AdminiTrust, Inc. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$600 for single coverage and \$1,334 for family coverage. For the year ended June 30, 2014, the City contributed \$243,999 and plan members eligible for benefits contributed \$13,795 to the plan.

(6) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 74,091
Sick leave	11,282
Total	<u>\$ 85,373</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

(7) **Leases**

The City has entered into a lease purchase agreement with the Wright Medical Foundation. The Foundation is an organization that is exempt from federal income tax as an organization described in Section 501 (c) (3) of the Internal Revenue Code, and is audited by other auditors.

The Foundation originally issued \$3,050,000 in notes to contract the Meadows Facility which is a housing/hospital project. The notes do not constitute general obligations of the City or change the general credit or taxing powers of the City.

The City is leasing the facility from the Foundation. The City is not expecting to incur costs from this lease as the Foundation will remit funds to the City in amounts sufficient to cover the lease payments. However, during the year, the principal and interest payments of \$189,576 and \$50,176, respectively, were paid directly by the Foundation. The City's obligations under this lease purchase agreement are not general obligations of the City.

**CITY OF CLARION, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**(7) Leases - continued**

The future minimum lease payments under the capital lease are as follow:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 202,272	\$ 37,480	\$ 239,752
2016	215,819	23,933	239,752
2017	230,273	9,479	239,752
2018	19,871	108	19,979
Total	<u>\$ 668,235</u>	<u>\$ 71,000</u>	<u>\$ 739,235</u>

**(8) Deficit Balances**

At June 30, 2014, the Special Revenue, Tax Increment Financing Debt Fund had a deficit balance of \$35,498.

The Capital Projects, CDBG Housing Project Fund had a deficit balance of \$5,136 at June 30, 2014. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon future receipts.

The Capital Projects, Airport Fund had a deficit balance of \$129,151 at June 30, 2014. This deficit will be eliminated upon future receipts.

At June 30, 2014, the Enterprise, Waste Water Project Fund had a deficit balance of \$12,960. The deficit balance was a result of capital project costs in excess of bond proceeds received. The deficit will be eliminated upon future receipts.

**(9) Wright County Area Landfill Authority**

The City, in conjunction with city, town and unincorporated portion of Wright County, Iowa, has created the Wright County Area Landfill Authority. The Authority was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Authority will be prorated among the members. The governing body of the Authority consists of one representative from each member. Each member has one vote.

The Authority is not accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt, therefore, the City of Clarion has an ongoing financial responsibility. The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2014, the City of Clarion paid the Authority \$71,250 for its share of the costs. Complete financial statements for the Authority can be obtained from the Wright County Area Landfill Authority.

**CITY OF CLARION, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**(10) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Tax Increment Financing	Capital Projects:	
	Library Sinking	\$ 82,200
	Aquatic Sinking	66,538
	Police/Ambulance Building Sinking	81,786
		<u>\$ 230,524</u>
Debt Service	Capital Projects:	
	Library Sinking	\$ 58,460
	Aquatic Sinking	58,460
	Police/Ambulance Building Sinking	58,460
		<u>\$ 175,380</u>
Capital Projects:	Special Revenue:	
Library	Library Sinking	\$ 33,112
Aquatic	Aquatic Sinking	17,846
Police/Ambulance Building	Police/Ambulance Building Sinking	34,515
		<u>\$ 85,473</u>
Enterprise:	Enterprise:	
Water	Water Bond Reserve	\$ 15,000
Water Debt Service	Water Bond Reserve	20,000
		<u>\$ 35,000</u>
Total		<u>\$ 526,377</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(11) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(12) Commitments**

At June 30, 2014, the following construction commitments had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred to Date</u>
Airport hanger	\$ 537,870	\$ 415,153
White fox landing	1,662,902	-
Traffic signal improvement	98,785	-
Total	<u>\$2,299,557</u>	<u>\$ 415,153</u>

CITY OF CLARION, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

(13) **Industrial Development Revenue Bonds**

The City has issued a total of \$25,815,746 of industrial revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$21,589,596 is outstanding at June 30, 2014. The bonds and related interest are payable solely from the revenues generated by the entities, and the bond principal and interest do not constitute liabilities of the City.

(14) **Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

#### Other Information

CITY OF CLARION, IOWA  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL  
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
OTHER INFORMATION  
YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required To Be Budgeted
<b>RECEIPTS:</b>			
Property tax	\$ 1,264,613	\$ -	\$ -
Tax increment financing	565,570	-	-
Other city tax	265,145	-	-
Licenses and permits	4,972	-	-
Use of money and property	138,006	-	-
Intergovernmental	699,796	-	-
Charges for service	219,900	1,345,102	-
Special assessments	18,747	-	-
Miscellaneous	107,748	11,158	-
Total receipts	<u>\$ 3,284,497</u>	<u>\$1,356,260</u>	<u>\$ -</u>
<b>DISBURSEMENTS:</b>			
Public safety	\$ 801,101	\$ -	\$ -
Public works	471,554	-	-
Health and social services	5,500	-	-
Culture and recreation	331,491	-	-
Community and economic development	661,636	-	-
General government	201,945	-	-
Debt service	763,495	-	-
Capital projects	802,375	-	-
Business type activities	-	1,132,372	-
Total disbursements	<u>\$ 4,039,097</u>	<u>\$1,132,372</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (754,600)	\$ 223,888	\$ -
Other financing sources, net	<u>2,648,264</u>	<u>53,109</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	\$ 1,893,664	\$ 276,997	\$ -
Balances beginning of year	<u>1,435,693</u>	<u>936,341</u>	<u>-</u>
<b>Balances end of year</b>	<u><b>\$ 3,329,357</b></u>	<u><b>\$1,213,338</b></u>	<u><b>\$ -</b></u>

*See Accompanying Independent Auditor's Report.*

<b>Total</b>	<b>Budgeted Amounts</b>		<b>Final to Total Variance</b>
	<b>Original</b>	<b>Final</b>	
\$ 1,264,613	\$ 1,229,081	\$ 1,229,081	\$ 35,532
565,570	595,569	595,569	(29,999)
265,145	320,248	320,248	(55,103)
4,972	25,950	25,950	(20,978)
138,006	90,918	90,918	47,088
699,796	345,968	345,968	353,828
1,565,002	91,676,330	91,676,330	(90,111,328)
18,747	16,433	16,433	2,314
118,906	198,827	198,827	(79,921)
<u>\$ 4,640,757</u>	<u>\$94,499,324</u>	<u>\$ 94,499,324</u>	<u>\$ (89,858,567)</u>
\$ 801,101	\$ 948,530	\$ 987,530	\$ 186,429
471,554	498,960	498,960	27,406
5,500	-	-	(5,500)
331,491	350,061	350,061	18,570
661,636	433,038	1,193,764	532,128
201,945	215,978	215,978	14,033
763,495	362,116	362,116	(401,379)
802,375	10,000	1,011,952	209,577
1,132,372	91,119,805	91,183,075	90,050,703
<u>\$ 5,171,469</u>	<u>\$93,938,488</u>	<u>\$ 95,803,436</u>	<u>\$ 90,631,967</u>
\$ (530,712)	\$ 560,836	\$ (1,304,112)	\$ 773,400
<u>2,701,373</u>	<u>-</u>	<u>1,864,948</u>	<u>836,425</u>
\$ 2,170,661	\$ 560,836	\$ 560,836	\$ 1,609,825
<u>2,372,034</u>	<u>1,784,458</u>	<u>1,784,458</u>	<u>587,576</u>
<u><b>\$ 4,542,695</b></u>	<u><b>\$ 2,345,294</b></u>	<u><b>\$ 2,345,294</b></u>	<u><b>\$ 2,197,401</b></u>



**CITY OF CLARION, IOWA**  
**NOTES TO OTHER INFORMATION - BUDGETARY REPORTING**  
**JUNE 30, 2014**

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,864,948. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the health and social services and debt service functions.

## Supplementary Information

CITY OF CLARION, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue				
	Road Use Tax	Employee Benefits	Hotel- Motel	Tax Increment Financing Debt	CDBG Housing Project
<b>RECEIPTS:</b>					
Property tax	\$ -	\$306,263	\$ -	\$ -	\$ -
Other city tax	-	-	17,351	-	-
Intergovernmental	284,583	-	-	-	-
Miscellaneous	5,242	19,057	-	-	-
Total receipts	<u>\$289,825</u>	<u>\$325,320</u>	<u>\$17,351</u>	<u>\$ -</u>	<u>\$ -</u>
<b>DISBURSEMENTS:</b>					
Operating:					
Public safety	\$ -	\$187,492	\$ -	\$ -	\$ -
Public works	253,550	27,878	-	-	-
Health and social services	5,500	-	-	-	-
Culture and recreation	-	53,321	-	-	-
Community and economic development	-	-	5,650	69,518	5,136
General government	-	8,847	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	<u>\$259,050</u>	<u>\$277,538</u>	<u>\$ 5,650</u>	<u>\$ 69,518</u>	<u>\$ 5,136</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 30,775</u>	<u>\$ 47,782</u>	<u>\$11,701</u>	<u>\$ (69,518)</u>	<u>\$ (5,136)</u>
Other financing sources (uses):					
Operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Operating transfer out	-	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in cash balances	\$ 30,775	\$ 47,782	\$11,701	\$ (69,518)	\$ (5,136)
Cash balances beginning of year	<u>62,193</u>	<u>59,320</u>	<u>14,747</u>	<u>34,020</u>	<u>-</u>
<b>Cash balances end of year</b>	<b><u>\$ 92,968</u></b>	<b><u>\$107,102</u></b>	<b><u>\$26,448</u></b>	<b><u>\$ (35,498)</u></b>	<b><u>\$ (5,136)</u></b>
<b>Cash Basis Fund Balances</b>					
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for other purposes	92,968	107,102	26,448	-	-
Assigned for capital projects	-	-	-	-	-
Unassigned	-	-	-	(35,498)	(5,136)
Total cash basis fund balances	<u>\$ 92,968</u>	<u>\$107,102</u>	<u>\$26,448</u>	<u>\$ (35,498)</u>	<u>\$ (5,136)</u>

(Continued)

## Capital Projects

Community Center	Library Sinking	Library	Aquatic Sinking	Aquatic	Police/ Ambulance Building Sinking	Police/ Ambulance Building	Critical Care	Storm Sewer
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	360,952
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,952</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (360,952)
\$ -	\$ -	\$ 33,112	\$ -	\$ 17,846	\$ -	\$ 34,515	\$ -	\$ -
-	(173,772)	-	(142,844)	-	(174,761)	-	-	-
<u>\$ -</u>	<u>\$ (173,772)</u>	<u>\$ 33,112</u>	<u>\$ (142,844)</u>	<u>\$ 17,846</u>	<u>\$ (174,761)</u>	<u>\$ 34,515</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (173,772)	\$ 33,112	\$ (142,844)	\$ 17,846	\$ (174,761)	\$ 34,515	\$ -	\$ (360,952)
75,070	173,772	-	142,844	-	174,761	516	86	391,415
<u><b>\$ 75,070</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 33,112</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 17,846</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 35,031</b></u>	<u><b>\$ 86</b></u>	<u><b>\$ 30,463</b></u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
75,070	-	33,112	-	17,846	-	35,031	86	30,463
-	-	-	-	-	-	-	-	-
<u><b>\$ 75,070</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 33,112</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 17,846</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 35,031</b></u>	<u><b>\$ 86</b></u>	<u><b>\$ 30,463</b></u>

CITY OF CLARION, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Capital Projects	Permanent	
	Fire Station	Cemetery Perpetual Care	Total
<b>RECEIPTS:</b>			
Property tax	\$ -	\$ -	\$ 306,263
Other city tax	-	-	17,351
Intergovernmental	-	-	284,583
Miscellaneous	-	667	24,966
Total receipts	<u>\$ -</u>	<u>\$ 667</u>	<u>\$ 633,163</u>
<b>DISBURSEMENTS:</b>			
Operating:			
Public safety	\$ -	\$ -	\$ 187,492
Public works	-	-	281,428
Health and social services	-	-	5,500
Culture and recreation	-	-	53,321
Community and economic development	-	-	80,304
General government	-	-	8,847
Capital projects	-	-	360,952
Total disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 977,844</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ -</u>	<u>\$ 667</u>	<u>\$ (344,681)</u>
Other financing sources (uses):			
Operating transfers in	\$ -	\$ -	\$ 85,473
Operating transfers out	-	-	(491,377)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (405,904)</u>
Change in cash balances	\$ -	\$ 667	\$ (750,585)
Cash balances beginning of year	<u>75,000</u>	<u>66,881</u>	<u>1,270,625</u>
<b>Cash balances end of year</b>	<u><b>\$ 75,000</b></u>	<u><b>\$ 67,548</b></u>	<u><b>\$ 520,040</b></u>
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery perpetual care	\$ -	\$ 67,548	\$ 67,548
Restricted for other purposes	-	-	226,518
Assigned for capital projects	75,000	-	266,608
Unassigned	-	-	(40,634)
<b>Total cash basis fund balances</b>	<u><b>\$ 75,000</b></u>	<u><b>\$ 67,548</b></u>	<u><b>\$ 520,040</b></u>

See Accompanying Independent Auditor's Report.

CITY OF CLARION, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
NONMAJOR PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise			
	Water Debt Service	Water Bond Reserve	Landfill	Storm Sewer
Operating receipts:				
Charges for service	\$ -	\$ -	\$ 93,415	\$ 64,778
Operating disbursements:				
Business type activities	-	-	86,306	-
Excess of operating receipts over operating disbursements	\$ -	\$ -	\$ 7,109	\$ 64,778
Non-operating receipts (disbursements):				
Miscellaneous	\$ -	\$ -	\$ 503	\$ -
Debt service	(137,851)	-	-	-
Capital projects	-	-	-	-
Net non-operating receipts (disbursements)	\$ (137,851)	\$ -	\$ 503	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ (137,851)	\$ -	\$ 7,612	\$ 64,778
Other financing sources (uses):				
Anticipating note proceeds	\$ -	\$ -	\$ -	\$ -
Operating transfers in	20,000	-	-	-
Operating transfers out	-	(35,000)	-	-
Total other financing sources (uses)	\$ 20,000	\$ (35,000)	\$ -	\$ -
Change in cash balances	\$ (117,851)	\$ (35,000)	\$ 7,612	\$ 64,778
Cash balances beginning of year	119,062	85,000	51,935	99,020
<b>Cash balances end of year</b>	<b>\$ 1,211</b>	<b>\$ 50,000</b>	<b>\$ 59,547</b>	<b>\$ 163,798</b>
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ 1,211	\$ 50,000	\$ -	\$ -
Assigned for sewer improvement	-	-	-	-
Unrestricted	-	-	59,547	163,798
<b>Total cash basis fund balances</b>	<b>\$ 1,211</b>	<b>\$ 50,000</b>	<b>\$ 59,547</b>	<b>\$ 163,798</b>

*See Accompanying Independent Auditor's Report.*

<u>Sewer Improvement</u>	<u>Waste Water Project</u>	<u>Total</u>
\$ -	\$ -	\$ 158,193
-	-	86,306
\$ -	\$ -	\$ 71,887
\$ -	\$ -	\$ 503
-	-	(137,851)
(8,420)	(66,069)	(74,489)
\$ (8,420)	\$ (66,069)	\$ (211,837)
\$ (8,420)	\$ (66,069)	\$ (139,950)
\$ -	\$ 53,109	\$ 53,109
-	-	20,000
-	-	(35,000)
\$ -	\$ 53,109	\$ 38,109
\$ (8,420)	\$ (12,960)	\$ (101,841)
162,000	-	517,017
<b><u>\$ 153,580</u></b>	<b><u>\$ (12,960)</u></b>	<b><u>\$ 415,176</u></b>
\$ -	\$ -	\$ 51,211
153,580	-	153,580
-	(12,960)	210,385
<b><u>\$ 153,580</u></b>	<b><u>\$ (12,960)</u></b>	<b><u>\$ 415,176</u></b>

CITY OF CLARION, IOWA  
SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
<b>General Obligation Bonds and Notes:</b>			
Capital Loan Notes	08-01-09	1.30 - 3.00%	\$1,295,000
Capital Loan Notes	07-01-09	3.00 - 6.00	925,000
Capital Loan Notes	06-01-10	2.90 - 4.00	301,000
Capital Loan Notes	08-28-08	2.85 - 4.30	1,335,000
Capital Loan Notes	07-17-12	2.45	100,000
Storm Water Bonds	04-01-13	1.50 - 2.50	716,000
GO Annual Appropriation Bond	06-26-14	1.75 - 4.00	1,185,000
GO Annual Appropriation Bond	06-26-14	1.75 - 4.00	1,485,000
<b>Special Assessment Notes:</b>			
Street Improvement	10-01-04	2.80 - 4.85%	\$ 130,000
<b>Urban Renewal Revenue Annual Appropriation Bonds and Notes:</b>			
Refunding Bonds	03-14-13	1.35 - 2.50%	\$1,213,000
<b>Revenue Bonds and Notes:</b>			
Water Refunding	02-06-13	1.25%	\$ 500,000
<b>Rural Economic Development Loan Agreement</b>			
	11-21-05	0.00%	\$ 250,000
<b>Anticipatory Notes:</b>			
Sewer Construction	01-31-14	0.00%	\$ 53,109
Subtotal - City's share			
<b>Capital Lease:</b>			
Meadows Facility	12-01-92	5.50 - 8.00%	\$3,050,000
<b>Total indebtedness</b>			

*See Accompanying Independent Auditor's Report.*



<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 445,000	\$ -	\$ 220,000	\$ 225,000	\$ 12,690	\$ -
785,000	-	40,000	745,000	42,800	-
248,000	-	28,000	220,000	9,092	-
620,000	-	115,000	505,000	25,465	-
80,748	-	19,476	61,272	1,794	-
716,000	-	54,000	662,000	14,520	-
-	1,185,000	-	1,185,000	-	-
-	1,485,000	-	1,485,000	-	-
<u>\$2,894,748</u>	<u>\$2,670,000</u>	<u>\$ 476,476</u>	<u>\$5,088,272</u>	<u>\$ 106,361</u>	<u>\$ -</u>
<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 1,432</u>	<u>\$ -</u>
 <u>\$1,102,000</u>	 <u>\$ -</u>	 <u>\$ 114,000</u>	 <u>\$ 988,000</u>	 <u>\$ 22,076</u>	 <u>\$ -</u>
 <u>\$ 500,000</u>	 <u>\$ -</u>	 <u>\$ 133,000</u>	 <u>\$ 367,000</u>	 <u>\$ 4,811</u>	 <u>\$ -</u>
 <u>\$ 75,000</u>	 <u>\$ -</u>	 <u>\$ 25,000</u>	 <u>\$ 50,000</u>	 <u>\$ -</u>	 <u>\$ -</u>
 <u>\$ -</u>	 <u>\$ 53,109</u>	 <u>\$ -</u>	 <u>\$ 53,109</u>	 <u>\$ -</u>	 <u>\$ -</u>
<u>\$4,601,748</u>	<u>\$2,723,109</u>	<u>\$ 763,476</u>	<u>\$6,561,381</u>	<u>\$ 134,680</u>	<u>\$ -</u>
 <u>\$ 857,811</u>	 <u>\$ -</u>	 <u>\$ 189,576</u>	 <u>\$ 668,235</u>	 <u>\$ 50,176</u>	 <u>\$ -</u>
<u><b>\$5,459,559</b></u>	<u><b>\$2,723,109</b></u>	<u><b>\$ 953,052</b></u>	<u><b>\$7,229,616</b></u>	<u><b>\$ 184,856</b></u>	<u><b>\$ -</b></u>

CITY OF CLARION, IOWA  
BOND AND NOTE MATURITIES  
JUNE 30, 2014

**G E N E R A L      O B L I G A T I O N**

**Capital Loan Notes**

Year Ending June 30,	Issued August 28, 2008		Issued June 1, 2010		Issued August 1, 2009	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2015	4.00%	\$120,000	2.90%	\$ 28,000	3.00%	\$ 225,000
2016	4.10	125,000	2.90	29,000		-
2017	4.20	125,000	4.00	30,000		-
2018	4.30	135,000	4.00	31,000		-
2019		-	4.00	33,000		-
2020		-	4.00	34,000		-
2021		-	4.00	35,000		-
2022		-		-		-
2023		-		-		-
2024		-		-		-
2025		-		-		-
2026		-		-		-
2027		-		-		-
2028		-		-		-
2029		-		-		-
2030		-		-		-
2031		-		-		-
2032		-		-		-
<b>Total</b>		<b><u>\$505,000</u></b>		<b><u>\$ 220,000</u></b>		<b><u>\$ 225,000</u></b>

**REVENUE BONDS**

**SPECIAL ASSESSMENT NOTES**

Year Ending June 30	Water		Street Improvements	
	Issued February 6, 2013		Issued October 1, 2004	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2015	1.25%	\$130,000	4.85%	\$ 15,000
2016	1.25	136,000		-
2017	1.25	101,000		-
<b>Total</b>		<b><u>\$367,000</u></b>		<b><u>\$ 15,000</u></b>

(continued)

## B O N D S            A N D            N O T E S

G.O. Bonds					
<u>Issued July 1, 2009</u>		<u>Issued July 17, 2012</u>		<u>Issued April 1, 2013</u>	
<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
4.25%	\$ 45,000	2.45%	\$ 19,931	1.50%	\$ 55,000
5.00	45,000	2.45	20,429	1.50	56,000
5.00	45,000	2.45	20,912	1.50	57,000
5.00	45,000	-	-	1.50	58,000
5.30	50,000	-	-	1.50	58,000
5.30	50,000	-	-	2.50	59,000
5.30	50,000	-	-	2.50	61,000
5.75	55,000	-	-	2.50	62,000
5.75	55,000	-	-	2.50	64,000
5.75	55,000	-	-	2.50	65,000
6.00	60,000	-	-	2.50	67,000
6.00	60,000	-	-	-	-
6.00	65,000	-	-	-	-
6.00	65,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>\$ 745,000</b>		<b>\$ 61,272</b>		<b>\$ 662,000</b>	

	<u>Urban Renewal Revenue Annual Appropriation Refunding Bonds</u>		<u>Rural Economic Development Loan Agreement</u>	
<u>Year Ending June 30</u>	<u>Issued March 14, 2013</u>		<u>Issued November 21, 2005</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2015	1.35%	\$ 120,000	—%	\$ 25,000
2016	1.35	118,000	—	25,000
2017	1.35	124,000		—
2018	2.50	127,000		—
2019	2.50	130,000		—
2020	2.50	137,000		—
2021	2.50	74,000		—
2022	2.50	77,000		—
2023	2.50	81,000		—
<b>Total</b>		<b>\$ 988,000</b>		<b>\$ 50,000</b>

**CITY OF CLARION, IOWA**  
**BOND AND NOTE MATURITIES**  
**JUNE 30, 2014**

<b>G E N E R A L   O B L I G A T I O N   B O N D   A N D   N O T E S</b>					
<b>ANNUAL APPROPRIATION BONDS</b>					
<b>Year Ending June 30,</b>	<b>Issued June 26, 2014</b>		<b>Issued June 26, 2014</b>		<b>Total</b>
	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	
2015	-%	\$ -	-%	\$ -	\$ 492,931
2016	-	-	-	-	275,429
2017	1.75	125,000	-	-	402,912
2018	2.25	125,000	-	-	394,000
2019	2.60	130,000	-	-	271,000
2020	2.95	135,000	-	-	278,000
2021	3.35	135,000	-	-	281,000
2022	3.55	140,000	-	-	257,000
2023	3.90	145,000	-	-	264,000
2024	3.90	150,000	-	-	270,000
2025	3.90	100,000	3.25	100,000	327,000
2026	-	-	4.00	175,000	235,000
2027	-	-	4.00	185,000	250,000
2028	-	-	4.00	190,000	255,000
2029	-	-	4.00	195,000	195,000
2030	-	-	4.00	205,000	205,000
2031	-	-	4.00	215,000	215,000
2032	-	-	4.00	220,000	220,000
<b>Total</b>		<b><u>\$1,185,000</u></b>		<b><u>\$1,485,000</u></b>	<b><u>\$ 5,088,272</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF CLARION, IOWA  
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$1,264,613	\$1,231,513	\$1,091,808	\$1,038,298
Tax increment financing	565,570	548,881	746,232	489,154
Other city tax	265,145	270,035	285,334	209,764
Licenses and permits	4,972	6,356	10,137	6,321
Use of money and property	138,006	116,946	46,426	47,608
Intergovernmental	685,895	354,932	752,074	491,158
Charges for service	219,900	346,682	464,342	426,436
Special assessments	18,747	26,024	30,624	34,104
Miscellaneous	107,748	141,000	209,135	266,522
<b>Total</b>	<b><u>\$3,270,596</u></b>	<b><u>\$3,042,369</u></b>	<b><u>\$3,636,112</u></b>	<b><u>\$3,009,365</u></b>
Disbursements:				
Operating:				
Public safety	\$ 801,101	\$ 889,130	\$ 992,386	\$ 961,084
Public works	471,554	457,082	508,266	394,903
Health and social services	5,500	6,269	7,800	7,500
Culture and recreation	331,491	313,813	397,103	409,326
Community and economic development	661,636	164,327	202,499	228,793
General government	201,945	207,396	316,751	165,646
Debt Service	763,495	1,858,014	736,085	707,687
Capital projects	802,375	347,357	474,787	354,934
<b>Total</b>	<b><u>\$4,039,097</u></b>	<b><u>\$4,243,388</u></b>	<b><u>\$3,635,677</u></b>	<b><u>\$3,229,873</u></b>

*See Accompanying Independent Auditor's Report.*

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$1,010,658	\$ 959,947	\$ 910,621	\$ 899,589	\$ 922,979	\$ 906,335
542,614	456,344	388,179	362,842	371,856	376,982
223,491	224,715	255,882	273,021	191,882	265,184
6,477	5,955	7,263	3,618	6,285	4,617
55,711	87,005	89,445	79,990	76,866	66,533
841,055	462,746	311,185	539,300	525,710	479,669
530,686	488,657	488,216	357,334	530,990	382,081
44,402	85,978	182,667	113,334	142,873	257,755
304,276	413,236	236,944	285,292	353,879	177,494
<u><b>\$3,559,370</b></u>	<u><b>\$3,184,583</b></u>	<u><b>\$2,870,402</b></u>	<u><b>\$2,914,320</b></u>	<u><b>\$3,123,320</b></u>	<u><b>\$2,916,650</b></u>
\$ 885,732	\$1,056,896	\$ 732,866	\$ 678,174	\$ 671,442	\$ 567,306
765,537	733,152	531,856	418,022	686,333	610,639
7,350	7,022	6,750	5,600	5,600	-
366,925	375,492	336,437	330,504	301,154	299,356
261,555	110,772	112,474	523,301	185,926	70,848
342,671	321,126	285,943	203,553	159,698	195,578
2,105,164	2,131,873	651,190	613,441	944,070	597,032
1,581,002	1,295,715	748,517	365,493	1,662,436	538,813
<u><b>\$6,315,936</b></u>	<u><b>\$6,032,048</b></u>	<u><b>\$3,406,033</b></u>	<u><b>\$3,138,088</b></u>	<u><b>\$4,616,659</b></u>	<u><b>\$2,879,572</b></u>



**Larry Pump, CPA**  
117 North Jackson Street  
Charles City, IA 50616

E-mail: rlp@fi.ai.net

(641) 257-4222

or (641) 228-2812

Fax (641) 228-1513

**INDEPENDENT AUDITOR'S REPORT**  
**ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE**  
**AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED**  
**IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarion, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated September 19, 2014. My report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles because the financial statements did not include the financial transactions of the Iowa Specialty Hospital - Clarion.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Clarion's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clarion's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Clarion's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Clarion's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clarion's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## The City of Clarion's Responses to the Findings

The City of Clarion's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Clarion's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Clarion during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Charles City, Iowa  
September 19, 2014



CITY OF CLARION, IOWA  
Schedule of Findings  
Year Ended June 30, 2014

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A)        Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that certain accounting functions are not properly segregated.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- (B)        Post-dated checks - I noted several checks that cleared the bank prior to the date the check was issued.

Recommendation - The City should avoid the use of post-dating checks.

Response - We will discontinue the use of post-dating checks in the future.

Conclusion - Response accepted.

- (C)        Investment Control - A detailed record of investment transactions is maintained, however, the Treasurer's Report fund balances do not reconcile to the Clerk's fund balances.

Recommendation - The investments and fund balances should be reconciled to the Clerk's fund balances. This procedure will provide more accurate information on the balance available for each fund.

Response - We will include accurate information in the Clerk's report.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**CITY OF CLARION, IOWA**  
**Schedule of Findings**  
**Year Ended June 30, 2014**

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the health and social services and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation.

Also, the City's amended budget figures in "Total Budget as Certified or Last Amended" does not agree with the original budget in the community and economic development and business type activities functions.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, the City should ensure that budget amendment amounts are transferred correctly from the original to the amended budget.

Response - The budget will be amended in the future, if applicable, and the City will be more careful in copying budget figures.

Conclusion - Response accepted.

- (2) Questionable Disbursements - Certain disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Hearts & Flowers	Flower arrangements for funeral services	\$ 25

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**CITY OF CLARION, IOWA**  
**Schedule of Findings**  
**Year Ended June 30, 2014**

**Other Findings Related to Required Statutory Reporting:** - continued

- (4) Business Transactions - No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (6) City Council Minutes - No transactions were found that I believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish a summary of receipts. Although bids for the airport hanger project were submitted and approved, alternates for additional costs totaling \$53,997 was not formally approved.

Recommendation - The City should publish minutes as required, including all necessary information regarding the motions made.

Response - We will publish minutes as required.

Conclusion - Response accepted.

- (7) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds - No instances of non-compliance with the revenue bond resolutions were noted.
- (9) Financial Condition - At June 30, 2014, the Special Revenue Tax Increment Financing Debt Fund had a deficit balance of \$35,498, the Capital Projects, CDBG Housing Project Fund had a deficit balance of \$5,136 and the Capital Projects, Airport Fund had a deficit balance of \$129,151.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response - The deficits will be eliminated.

Conclusion - Response accepted.

- (10) Debt Service Payments - The City made payments from the Debt Service Fund for expenditures other than interest and principal payments. Chapter 384.4 of the Code of Iowa establishes allowable expenditures from the Debt Service Fund.

Recommendation - The City should only make interest and principal payments from the Debt Service Fund as required by the Code of Iowa.

Response - We will do this.

Conclusion - Response accepted

**CITY OF CLARION, IOWA**  
**Schedule of Findings**  
**Year Ended June 30, 2014**

**Other Findings Related to Required Statutory Reporting:** - continued

- (11)      Payment of General Obligation Bonds - Certain general obligation bonds were paid from the Special Revenue, Local Option Sales Tax Fund. Chapter 384.4 of the Code of Iowa states, in part, that "Moneys pledged or available to service general obligation bonds and received from sources other than property taxes, must be deposited in the Debt Service Fund."
- Recommendation - The City should transfer from the Special Revenue, Local Option Sales Tax Fund to the Debt Service Fund for future funding contributions. Payments of the bonds should then be disbursed from the Debt Service Fund.
- Response - We will transfer funds in the future as recommended.
- Conclusion - Response accepted.
- (12)      Water Revenue Bonds - The City established the Water Bond Sinking Account as required by the bond resolution, however they did not transfer an adequate amount for debt payments.
- Recommendation - The City should make the necessary transfer as required by the resolution.
- Conclusion - Response accepted.
- (13)      Mileage Reimbursement - The City reimbursed mileage at a rate in excess of the Internal Revenue Service allowable rate. The City is not in compliance with Chapter 70A.9 of the Code of Iowa.
- Recommendation - The City should change its mileage reimbursement rate when the Internal Revenue Service mileage reimbursement rate is changed.
- Response - We will do this in the future.
- Conclusion - Response accepted.
- (14)      Sales Tax - Sales tax on sewer services provided to non-residential commercial operations was not uniformly assessed.
- Recommendation - The City should uniformly assess sales tax on sewer services provided to non-residential commercial operations in accordance with section 701-26.72 of the Iowa Department of Revenue Administrative Rules and Regulations.
- Response - This will be corrected.
- Conclusion - Response accepted.
- (15)      Tax Increment Financing (TIF) - Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

**CITY OF CLARION, IOWA**  
**Schedule of Findings**  
**Year Ended June 30, 2014**

**Other Findings Related to Required Statutory Reporting:** - continued

I noted the following regarding the City's TIF debt certification dated November 18, 2013:

The City certified \$300,000 of internal capital debt that was previously certified on November 1, 2010.

Recommendation - The City should consult TIF legal counsel to determine the disposition of the City's TIF certifications, including the amount of TIF debt to be decertified, if any. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification.

Response - The City will consult TIF legal counsel, make corrections to the TIF certification and approve debt prior to certifying.

Conclusion - Response accepted.

- (16) Annual Urban Renewal Report - The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1, however, the following exception was noted:

The amount reported by the City as TIF debt outstanding does not agree with City records.

Recommendation - The City should ensure the debt amounts reported on the Levy Authority Summary agree with the City's records.

Response - The item will be corrected on next year's report.

Conclusion - Response accepted.